

U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

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CHIEF OF STAFF

May 3, 2006

Ms. Jane Thompson, President
Wal-Mart Financial Services
Wal-Mart Stores, Inc.
702 Southwest 8th Street
Bentonville, AR 72716-0565

Dear Ms. Thompson:

We all agree for a need for clarity regarding the conditions that relate to the Wal-Mart Bank application for deposit insurance. As you know, former Congressman Thomas J. Bliley, Jr. raised questions about the terms governing branches of independent banks in Wal-Mart stores. Given that you have often cited the leasing of space to bank tenants in Wal-Mart stores as an indication of Wal-Mart Bank's commitment not to branch, I believe that it is important to clarify those differences.

In your written testimony, you stated that Wal-Mart has "long-term leases with more than 1,400 tenants, some extending out to 2024. These leases can only be terminated by the bank tenant." Mr. Bliley, on the other hand, testified that "[m]any leases are for only five years with a right to renew for additional five year terms - but only if both parties agree to such a renewal. . . . Many of the leases include a liquidated damages clause that means Wal-Mart would only need to pay bankers the equivalent of one year's rent and then Wal-Mart could put its own bank branches into its stores."

Five-year leases are not long-term leases, and options that require the agreement of both parties are not binding clauses. Further, liquidated damage clauses suggest that, for an agreed-upon amount, tenants may be removed by the landlord at the landlord's option. Whether Mr. Bliley's description of the lease terms is accurate, or whether the terms he described are typical or atypical of the leases, can be determined only by an examination of the leases themselves.

Accordingly, I ask that you make available for examination copies of the leases showing the clauses that relate to the duration of the leases, the renewal options, liquidated damage provisions, and any other provisions that may affect the duration of the leases for the branches in your stores. I realize that the leases likely contain sensitive business information such as the amount or computation of the rent that you may wish to redact and I have no objection to Wal-Mart redacting those other terms that you consider confidential or proprietary.


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